Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 7/2/2002

GAIN Report #DA2015

Denmark

Planting Seeds

Annual

2002

Approved by:
Philip A. Letarte
U.S. Embassy, The Hague
Prepared by:
Hasse Kristensen

Report Highlights:
Danish grass seed production remains at a record high 85,000 tons, of which 90 percent is exported. Major grass seeds produced are perennial rye grasses, which account for 36 percent of production and 45 percent of total exports.

Includes PSD changes: No
Includes Trade Matrix: Yes
Annual Report
The Hague [NL1], DA

Executive Summary

Denmark produces about 40 percent of EU grass seed and exports about 93 percent of its production - 81 percent of this to Germany and other EU member countries. Exports to non-EU countries are limited. Exports to the U.S. and Canada more than doubled in 1999/00 compared to the previous year to 5,133 tons and remained almost at the 1999/00 level in 2000/01 . Exports to South America also increased significantly at 1,632 tons for CY 1999/00 and remain at that level. Imports from the US are minimal.

Danish grass seed output in 2001 increased slightly to 86,000 tons compared to the previous year, roughly corresponding to the increase in acreage. Acreage for 2002 is estimated to be declining by 16 percent to 69,000 tons, almost entirely caused by a decrease in Red Fescue acreage from 30,000 hectares in 2001 to 15,000 hectares in 2002. Since 1998, Red Fescue prices have declined by 22 percent.

Relatively high EU production has led to a price reduction of up to 24 percent for Italian Rye grass. Acreage to be harvested in 2000 is forecast to remain at the present level of about 75,000 hectares.

Denmark has consolidated its position as the world's largest exporter of grass seeds. Total 2000/01 exports reached a record of 78,884 tons, up from 78,121 and significantly higher than the 1995/96 and 1996/97 levels of about 70,000 MT. The largest seed company in Denmark, DLF-Trifoleum has expanded its U.S. activities by buying Jenks Seed Connection in Oregon and merge with DLF-Trifoleum (USA) Inc. In Europe, DLF-Trifoleum has formed a joint venture company, "Top Green", with French Limagrain to sell grass seed across Europe.

While the country's surpluses limit the demand for imported grass seed, small but lucrative quantities of bent grass seed for lawns and golf greens are imported with almost 50 percent of this market coming from U.S. suppliers.

While not officially part of the EU's July 1993 CAP reform, grass seed production in Denmark has been and will continue to be indirectly affected by these reforms. These reforms have made grass seed production more attractive relative to other crops in Denmark and more competitive with other EU producers. Of total average grass seed prices received by farmers, EU production support accounts for about 30 percent. The EU adds 46 percent to the price the farmers are paid by the industry. In total, this support amounted to $25.5 million in 2001.

With the relatively free market access, economic competition will determine whether the demand in the future will be supplied by seed producers in the EU (mainly Denmark, the Netherlands and Germany) or from Canada, New Zealand and the U.S.

The average exchange rate in 2000: U.S. $1.00= DKK 8.09
April 2001: U.S. $1.00= DKK 8.32
July 2002 : U.S. $1.00= DKK 7.52

Production

Grass area for 2001 was a record 78,623 hectares, 5.4 percent from the previous year and far above all other previous years. The area for harvesting in 2002 is estimated to decrease by 10,000 hectares, corresponding to the decrease in Red Fescue acreage.

Yields decreased slightly in 2001 but due to larger area, total grass seed output increased to 85,316 tons compared to previous year's 83,998 tons.

Areas with perennial rye grasses increased by 1,000 hectares and accounted in 2001 for 34 percent of the total seed grass area and 36 percent of production. Red Fescue accounted for another 38 percent of production. Kentucky blue grass increased to a record 9,629 hectares and yielded 8,327 tons, accounting for 9.8 percent of total grass seed production.

Marketing

Market Development Opportunities

Denmark's status as a major exporter of grass seeds limits opportunities for U.S. exports. Nonetheless, market niches nonetheless exist -- primarily for such varieties not grown in Denmark such as corn varieties for green fodder and bent grass used for golf greens and lawns. In 2001, Denmark imported 63 tons of bent grass from the U.S. at a value of $131,000. Other U.S. grass seed exports to Denmark included 39 tons of Kentucky Blue Grass at a value of $87,000. Imports of corn are difficult to ascertain as these are imported through Germany and not recorded as U.S. origin. More than half of total corn seed imports is imported through Germany.

With EU production below self sufficiency, market opportunities exist for seed grasses, such as the most demanded rye grasses. Danish imports are very limited and will probably continue so taking into account the high production and still relatively high stocks of 44,000 tons.

Marketing Channels

Out of five Danish seed importing companies, DLF-Trifolium has a market share of about 75 percent. Two other companies are Dutch owned.

It appears that Dutch companies are trying hard to make contracts with Danish grass seed producers. As they will not be able to process the seeds in Denmark, costs will be increased by at least the additional transport cost, and it is difficult to see how they will be able to pay Danish producers above what they are paid by Danish companies.

Competitor Activities

EU grass seed area seems to have peaked and to be gradually decreasing from 206,000hectares tin 1998 to 175,000 hectares in 2001. Denmark seems able to maintain its share of 45 percent of the EU production. DLF-Trifolium has established grass seed production in the Czech Republic for export to other Central European countries and Russia.

The Danish trade maintains that U.S. Seed traders are not sincerely interested in expanding their activities within the EU, partly due to the difficulty in obtaining the certification of seeds for the EU market. Exporters should remember, however, that, when certified in one EU member state, seeds can be exported to any other member countries.

Prices

Average prices paid to growers increased by 3.4 percent in the marketing year 2000/01 compared to 1999/00 Prices paid to growers for Perennial Rye Grass, accounting for 36 percent of all grass production, increased in 2001 to DKK 431 ($52) per 100 kg, up DKK 18 corresponding to 4.4 percent. Red Fescue has dropped from DKK 634 per 100 kg in 1999/0099 to DKK 569 for 2000/01.

Outlook

Danish production area is expected to decrease in 2002 by 10,000 hectares to 69,000 hectares, still above pre 1998 levels. The decrease is almost exclusively in Red Fescue area, which also brings Red Fescue back to pre 1998 level. With the increasing production in Canada DLF-Trifoleum has encouraged its producers to sow less area in Red Fescue or even to plough under existing areas.

Policy

General Agricultural Policy

The EU's July 1993 CAP reform drastically changed price and production conditions for major crops, as price supports were replaced by area support and set asides. Although grass seeds were not directly included in CAP reform, it had the effect of stimulating most grass seed production (see additional discussion below). The EU's production support for field seeds has been unchanged since 1993.

The EU Agenda 2000 CAP reform agreement in March 1999 further increased grass seed competitiveness relative to grain production, which is facing lower prices. Agenda 2000 does not change the competition among EU countries, however, it has been changed to Canada for red fescue and to the U.S. for blue Kentucky grass. Danish producers consider that they now are in a positive production situation, the best since Denmark joined the EU in 1973.

Planting Seed Production Policy

The EU's per kilogram production premiums for grass seeds and its acreage supports for major field crops within CAP reform legislation has had the effect of making grass seed production relatively more attractive vis-a-vis other domestic crop alternatives and made it more competitive against other EU grass seed producers. This is due to higher Danish grass seed yields and a reference period for CAP reform supports established prior to a widespread switch to higher yielding winter varieties.

With a high yield production, Danish seed producers support of the existing EU program which is based on the volume of produced seed. In principle, EU support should make EU production more competitive with third country producers. The fact that the EU has become a net importer is also seen as a demonstration of the need for supported seed production compared to other supported crops. EU production support is aimed torwards competition from other EU supported crops as well as from third countries. The EU support is fixed for two years. The support for the marketing years 2000/01 and 2001/02 are unchanged from the two previous marketing years with the exception of perennial rye grass. Support is for Red Fescue 368.3 Euro/MT, for Italian Rye Grass 211. 5 Euro/MT, for Smooth Meadow Grass 385.2 Euro/MT. Support for perennial Rye Grass varies from 276.4 Euro/MT to 336.0 Euro/MT. (One Euro corresponds roughly to $1).

Total future production support is now fixed under the Budgets Stabilization Agreement with total national support not to exceed the reference period support plus five percent. The reference period is 1996 to 2000 minus the highest and the lowest years, which fix total support to Denmark at DKK 223 million ($26.8 million). With fixed per kilo support prices this means in practice that production exceeding a certain level will be unsupported.

EU production support amounted to DKK 212 million ($25.5 million) in 2001.

Agenda 2000 EU grain price reductions and unchanged seed production support means that it is comparatively more advantageous to grow seeds within the EU and economically less interesting for EU seed companies to propagate in third countries.

As Denmark is by far the largest EU producer of fodder beet seeds, this sector of Danish seed production is seriously affected by EU conditions for growing CAP reform crops in lieu of other feed crops. Similar changes in relative competitiveness may occur between grass and pulses, compared to cereals for green fodder.

Danish interest in sugar beet seed production for fodder stems from the fact that the major Danish seed company, DLF-Trifolium, is by far the largest EU producer of this seed. The seed is produced in Italy, as the climate there is the most advantageous.

Plant Health

According to EU equality directives, a third country may freely propagate and export seeds to the EU if it complies with regulations contained in EU seed directives.

Seed Certification

According to EU regulations, trade is only permitted for certified seeds. Furthermore, growers are not allowed to use their own grass seeds if they are not certified.

Plant Variety Protection

EU plant variety protections were established in 1995. A plant breeder may have his variety protected within all EU member countries by one application and one decision. The EU regulation is based on international convention on protection of new plant varieties (UPOV). The geographical placement of the approving authority is not yet determined but is temporarily based in Brussels.

Tariff Changes.

Under the WTO agreement for reductions of minimum duties, tariffs were reduced to 2 percent at the beginning of the adjustment period (July 1, 1995) followed by a complete elimination in 2000. EU tariffs on planting seeds are now zero.

Non-Tariff Barriers.

The harmonization of EU member state seed directives was introduced in December 1998. The Management Committee agreed to all 34 points concerning the trade aspects. This seems to have no impact on trade with third countries.

GMO's

With the GMO moratorium which has stopped all EU GMO approvals, Danish research in GMO's has been almost completely discontinued. In general, the Danish Ministry of Food, Agriculture and Fisheries and the agricultural organizations view biotech as a useful technology which can benefit farmers, the food industry, and consumers.

The Danish position on the EU Commission proposal for GMO labeling and traceability is positive, with the difference that Denmark supports labeling requirements for final products where biotechnology is not-detectable, such as sugar, meat and milk.

Organic Seeds

By 2001, all organic production must be based on products of organic origin, if available at the market. This means that organic beef from grass fed cows must origin from cows having ate organic grass. Danish organic grass seed production amounted in 2001 to 1,245 tons and is estimated at 1,600 tons in 2002, double the domestic demand. With Denmark being almost the sole producer of organic grass seeds in Europe, market potential exists, as organic grass seeds from Denmark will be on the EU market. A database will effective from June 1, 2004 keep track of seeds available on the market.

EU Project Support Arrangements.

The EU FEOGA development section finances projects that aim at improving of the treatment, processing and marketing of agricultural products. Projects accepted for co-financing are supported by 12.5 percent by FEOGA and 5 percent by the Danish government.

During the previous investment period (1994-1999) total seed industry investments were budgeted at DKK 188 million of which DKK 170 million were for new installations and DKK 18 million for modernization of existing installations. Total support is DKK 6.6 million ($ 816,000) per year.

A new program period is prepared for the years 2000 to 2006. Increased seed production during the previous period (1994 to 1999) from 50,000 hectares to 84,000 hectares indicates a rising demand for investments. This is further required by increased organic production, higher quality requirements and development of more advanced cleaning machinery. The 2001 allocation Danish project support is $780,000.

Export Subsidies

Neither the EU or nationally based export subsidies exist. The only support is the production support described in section entitled "Planting Seed Production Policy."

Export Restrictions

Non-existent.

Quality, Safety and Health

The use of plant protection herbicides has been substantially restricted during recent years due to Danish environmental protection measures and legislation. Since 1987, a number of products essential for seed production have been or will be forbidden. Chemical producers often place the costs of getting new products approved by the government agencies above the rather modest economic gains in this rather small and limited market. Adding to this view is a pattern whereby a product which has not received Danish Government approval is allowed in another EU member state or third (non) EU country.

Consumption

Danish consumption of field grass seeds has remained unchanged the last three years at about 6,600 tons Danish consumption of perennial rye grass constituted 50 percent of total grass seed consumption. Italian rye grass seed accounted for another 25 percent and red fescue, 14 percent.

Trade

General

Total Danish exports of field grass seeds in 2000/01 amounted to 80,420 tons -- up 1,049 tons compared with the previous season and far above the previous record of 69,454 tons in 1995/96. Over a span of years, exports of red fescue have increased the most and doubled since then. With large Canadian crops the two last years, this export will revert to normal levels. Exports of perennial rye grass accounted for 45 percent of total exports. With about 82 percent of Denmark's grass seed exports going to other EU Member States, Germany alone accounts for 37 percent of such trade with the EU.

The total export value of planting seeds (exclusive EU production support of DKK 236 million -$28 million) amounted in 2000/01 to DKK 1,222 million ($147 million).

Trade matrices

		2001	2001		2000	2000		1999	1999
		US$1000	MT		US$1000	MT		US$1000	MT
1209.23.15 Red Fescue									
IMPORTS									
Netherlands		102	42		351	82		60	20
Germany		21	8		27	8		161	53
France		39	10		84	33		1	
U.S.		11	2					13	2
Total		222	94		501	130		259	95
EXPORTS									
U.S.		1,038	1,073		2,072	1,645		1,253	962
France		2,403	2,508		3,420	3,107		2,997	2,119
Belgium		77	81		63	63		89	72
Netherlands		1,104	1,208		2,196	2,091		1,631	1,250
Germany		6,331	6,826		7,818	7,464		8,427	6,479
Italy		898	951		1,228	1,099		1,005	778
UK		1,880	1,894		2,559	2,249		2,266	1,511
Ireland		182	200		257	234		157	122
Spain		328	365		446	388		190	137
Sweden		824	691		632	522		465	307
Finland		721	697		1,048	1,029		739	583
Switzerland		242	223		232	189		324	238
Austria		531	570		636	576		282	211
Turkey		59	73		100	91		71	59
Poland		678	666		494	461		514	403
Russia		103	89		121	90		52	38
Hungary		149	184		179	169			
Canada		1,049	1,067		2,264	2,075		757	636
China		146	100		320	218		156	112
Total		19,038	19,847		26,479	24,074		21,812	16,307

1209.24.00 Kentucky Blue Grass									
IMPORTS									
Germany		508	165		393	117		84	35
Sweden		40	10		8	2		18	7
Netherlands		213	60		242	95		18	5
Belgium		88	40						
U.S.		60	19		296	113		87	39
Total		962	316		939	328		215	91
EXPORTS									
France		326	146		442	244		304	152
Netherlands		447	223		791	458		529	268
Germany		4,533	2,369		5,305	3,037		3,511	1,901
Italy		942	479		850	491		288	174
UK		464	213		226	120		107	54
Sweden		702	392		500	275		292	155
Finland		248	106		473	247		398	209
Switzerland		743	352		875	414		432	166
Austria		562	261		290	165		262	142
Turkey		88	53		44	26		77	62
Poland		340	185		590	371		207	118
Russia		107	43		72	37		38	19
U.S.		42	36		299	203		6	3
Canada		80	38		672	493		143	90
China		368	143		816	374		486	215
Spain		225	100		347	185		68	36
Total		11,127	5,476		13,094	7,345		7,548	3,954
1209.25.10 Italian Rye Grass									
IMPORTS									
Netherlands					41	67		8	7

Germany		150	318		377	669		9	10
Czech Rep.		10	17		197	359		59	68
France					54	99		23	44
Belgium		25	67		41	62		0	
Total		185	402		716	1,258		98	129
EXPORTS									
France		448	707		653	932		317	334
Netherlands		36	54		114	150		47	21
Germany		51	95		120	220		219	267
Italy		474	892		291	648		24	46
UK		113	177		172	252		79	100
Spain		109	170		92	147		45	54
Norway		19	34		58	105		78	86
Finland		148	289		108	184		124	139
Argentina		72	153		58	74		0	0
Canada					34	48		12	10
Uruguay		135	197		216	368		2	1
China		33	51		27	35		0	0
Ireland		19	41		13	21		0	0
U.S.		121	150		8	6		0	0
Total		1,911	3,214		2,159	3,522		1,197	1,315
1209.25.90 Perennial Rye Grass									
IMPORTS									
France		265	427		65	65		30	25
Netherlands		159	96		462	453		152	58
Germany		38	13		140	76		165	55
Total		492	546		715	646		394	173
EXPORTS									
France		2,859	3,770		47,847	5,701		3,299	3,086
Belgium		32	57		25	32		220	230
Netherlands		1,259	1,887		3,461	4,880		1,416	1,540
Germany		7,008	11,146		9,229	14,304		8,462	9,683

Italy		1,241	1,821		1,452	2,048		937	1,090
UK		2,591	3,233		2,859	3,533		1,993	1,946
Ireland		315	445		417	596		556	601
Spain		835	1,248		690	895		525	575
Norway		133	153		90	148		195	174
Sweden		620	998		278	371		185	166
Switzerland		203	275		165	208		469	433
Austria		468	690		474	694		453	551
Turkey		126	168		147	193		125	162
Poland		751	1,125		410	557		231	259
Lithuania		52	80		12	17		0	0
Romania		39	55		3	5		0	0
Canada		58	68		19	30		57	79
US		22	39		99	152		804	1,165
Chile		36	33		94	116		137	164
Argentina		289	410		220	301		278	339
China		245	301		375	443		207	182
Japan					15	14		84	62
Russia		271	239		95	101		0	0
Hungary		231	331		175	241		137	190
Total		20,148	29,200		26,069	36,241		21,082	22,995
1209.29.10 Vetch seed, cockfoot grass, bent grass									
IMPORTS									
Netherlands		71	25		16	10		71	25
Germany		3	1		26	10		3	1
France		16	5		49	20		16	5
Czech Rep.		30	19					30	19
U.S.		215	62		126	38		131	63
Total		368	132		233	86		368	132
EXPORTS									

U.S.		1,054	938		532	628		0	0
France		148	99		295	232		102	88
Argentina		653	527		580	512		303	332
Netherlands		171	150		133	112		86	88
Germany		809	670		553	558		594	516
Italy		455	330		500	388		139	111
UK		60	45		76	66		0	0
Spain		157	108		121	77		33	22
Sweden		34	21		18	5		0	0
Austria		158	137		71	64		32	27
Turkey		14	5		23	8		0	0
Poland		121	117		25	24		0	0
Canada		194	185		39	34		0	0
China		133	98		99	9		67	46
South Korea		49	23					0	0
Total		4,588	3,705		3,681	3,062		1,727	1,487

Table 1: Production (P), Domestic Consumption (C), Exports (E), and Domestic Stocks (S) (July 1) of Field grasses 2001. Metric Tons.

	P	C	E	S
Perennial rye grass	30,635	3,250	35,372	16,748
Italian rye grass	2,646	1,644	3,529	6,130
Red fescue	33,656	928	23,958	13,617
Kentucky blue gras	8,327	396	7,781	1,002
Others	10,052	382	8,244	6,994
Total	85,316	6,600	78,884	43,991

Source: Industry statistics
Note: 2001 exports are mainly based on 2000 harvest.

Table 2. EU support to certified planting seeds. EURO per hundred kilo.

	Marketing years 1998/1999 + 1999/2000	Marketing years 2000/2001 + 2001/2002
Cock's food grass	52.77	52.77
Meadow fescue	43.59	43.59
Red fescue	36.83	36.83
Italian rye grass	21.13	21.13
Perennial rye grass, late	34.50	33.60/32.29 *)
Perennial rye grass, early	19.20	23.13/27.03 *)
Perennial rye grass, ne sorts	25.965	27.64/29.32 *)
Hybrid rye grass	21.13	21.13
Low timothy	50.96	50.96
Timothy	83.56	83.56
Perennial rye grass	38.88	38.88
Smooth meadow grass	38.52	38.52

*) In order to even out support for all perennial rye grasses to the same amount in coming years, reductions are made for the higher supported sorts while increases are for the lower supported sorts. The first figures are applicable for market year 2000/2001 and the second for market year 2001/2002. Danish production is quite evenly distributed among the three groups, while e.g. Dutch production mainly consists of the highly supported species. (This is probably the reason for a phase out over several years.)